



City of Houston

Ronald C. Green

City Controller

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Fitch Reaffirms City's AAA Rating

*Cites overall credit quality and diversification, sufficient liquidity
and capabilities of Controller's Office investment managers*

Houston TX—Fitch Ratings has confirmed its credit and volatility ratings on five local government investment pools (LGIP), including the City of Houston General Investment Pool, and four bond funds. The City of Houston has an investment portfolio totaling \$2.9 billion. Houston's rating, AAA/V1, is the highest possible.

The main drivers for the affirmations are: the overall credit quality and diversification of the pools and funds; sufficient liquidity relative to composition of participants; and the capabilities and resources of the respective investment managers.

The Houston investment portfolio is managed in-house by the Treasury Division of the Controller's Office.

The Fitch-rated LGIPs have historically invested in U.S. government securities and other high-quality assets as well as commercial paper, certificates of deposit, corporate medium-term notes and U.S registered money market funds. Fitch cited the five LGIPs, which include Houston, for "detailed cash forecasting process and [for] invest[ing] their portfolio to meet scheduled cash outflows." Fitch also cited the "low exposure to spread risk mainly due to their high allocations to U.S. government securities."

"In a period of a record number of downgrades nationwide by the ratings agencies, this is especially good news—though not unexpected—for the City of Houston," says Houston City Controller Ronald C. Green. "I think the situations in Detroit and some other cities have caused many to wonder about their own city's financial health. Clearly, Houston is judged to be healthy and vibrant by the rating agencies. They base their ratings on our portfolios, but other factors such as our resilient economy here, the solid revenue sources on which the City depends, and the voters' enthusiastic support of four bond proposals last November certainly come into consideration," says Green.

Fitch-rated LGIPs' primary investment objective is preservation of capital. The secondary objectives are to maintain sufficient liquidity to ensure that monies are available to meet daily cash flow requirements. The third objective is to achieve a reasonable rate of return consistent with the first two objectives. To maintain its ratings, Fitch seeks monthly

portfolio holdings information from the rated entities and conducts surveillance checks against its ratings guidelines.

The five LGIPs affirmed by Fitch include Houston and four Florida Municipal Investment Trusts; the bond funds are managed by four California counties.

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Ronald C. Green was elected Houston City Controller in December 2009, after serving three terms as a Council Member At Large on Houston's City Council where he also served as Chair of the Budget and Fiscal Affairs Committee. He was unopposed for his second term as City Controller which began January 2012. Green earned both a Bachelor of Science and a Master of Business Administration from the University of Houston, as well as a law degree from Texas Southern University's Thurgood Marshall School of Law. He is also a licensed real estate broker.

Fitch Ratings is dual-headquartered in New York, USA, and London, UK. It was one of the three Nationally Recognized Statistical Rating Organizations (NRSRO) designated by the U.S. Securities and Exchange Commission in 1975, together with Moody's and Standard & Poor's, and the three are commonly known as the "Big Three credit rating agencies".